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ABSTRACT

Chapter 1, the Federal program of grants to local education agencies (LEAs) for the education of disadvantaged children, authorizes the distribution of assistance through both a basic and a concentration grant formula. Concentration grants are intended to provide additional assistance to areas with especially high numbers or proportions of educationally disadvantaged children. Under the current concentration grant formula, only LEAs in counties with more than 5,000 formula (primarily, poor) children, or where such children constitute more than 20 percent of the school-age population, may receive concentration grants. Two different versions of H.R. 5, legislation to amend and extend Chapter 1, were passed by the houses of Congress in 1987, and this bill currently awaits final conference committee action. Each version of H.R. 5 would substantially revise the Chapter 1 concentration grant formula. This report provides background information on the concept of Chapter 1 concentration grants, and an analysis of the distribution of concentration grants under the current law as compared to the two H.R. 5 formulas. Tables illustrate the data. (Author/BJV)

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CHAPTER 1 CONCENTRATION GRANTS: AN ANALYSIS OF THE CONCEPT, THE CURRENT STATUTE, AND AMENDMENTS ADOPTED IN LEGISLATION TO REAUTHORIZE THE EDUCATION CONSOLIDATION AND IMPROVEMENT ACT

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February 18, 1988

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ABSTRACT

The Federal program of grants to local educational agencies (LEAs) for the education of disadvantaged children--chapter 1, Education Consolidation and Improvement Act--authorizes the distribution of assistance through both a basic and a concentration grant formula. Concentration grants are intended to provide additional assistance to areas with especially high numbers or proportions of educationally disadvantaged children. Under the current concentration grant formula, only LEAs in counties with more than 5,000 formula (primarily, poverty) children, or where such children constitute more than 20 percent of the school-age population, may receive concentration grants. Different versions of H.R. 5, legislation to amend and extend chapter 1 and most other Federal elementary and secondary education assistance programs, were passed by the House of Representatives and the Senate in 1987, and this bill currently awaits final conference committee action. Each version of H.R. 5 would substantially revise the chapter 1 concentration grant formula. This report provides background information on the concept of chapter 1 concentration grants, and an analysis of the distribution of concentration grants under the current law as compared to the two H.R. 5 formulas.

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CHAPTER 1 CONCENTRATION GRANTS: AN ANALYSIS OF THE CONCEPT, THE CURRENT STATUTE, AND AMENDMENTS ADOPTED IN LEGISLATION TO REAUTHORIZE THE EDUCATION CONSOLIDATION AND IMPROVEMENT ACT

INTRODUCTION

Chapter 1 of the Education Consolidation and Improvement Act (ECIA) authorizes financial assistance to local and State educational agencies (LEAs, SEAs) for the education of disadvantaged children. Funds are allocated to LEAs under the chapter 1 basic grant program primarily on the basis of counts of school-age (5-17 years) children from low-income families. However, children are selected to be served by the program solely on the basis of their educational disadvantage, not family income.

Any LEA in which 10 or more poor children reside, according to the latest decennial Census, is eligible to receive a chapter 1 basic grant. Except for a cost factor that varies on a Statewide basis, 1/ chapter 1 basic grants per child counted in the allocation formula are equal for all LEAs. Thus, within the same State, chapter 1 grants per formula child are the same whether the

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1/ The allocation formula cost factor is the State average per pupil expenditure for public elementary and secondary education, for the third preceding year, limited to be no more than 120 percent or less than 80 percent of the national average, and further multiplied by a "Federal share" of 40 percent. Multiplication of the cost factor by the formula child count results in the maximum payment for each LEA or county. Aggregate maximum payments are then reduced proportionally to the level of available appropriations. (Chapter 1/title I appropriations have been less than the maximum payment level each year since the initial year of the program, fiscal year 1966.)

number of such children residing in the LEA is 10 or 100,000, or whether the proportion of school-age children who are poor is 2 percent or 50 percent. 2/

Chapter 1 also authorizes a concentration grant program, under which additional funds would be provided to LEAs in counties where the number of chapter 1 basic grant formula children is equal to at least 5,000 or where the percentage of such children, compared to the total population aged 5-17 years, is 20 percent or more. However, funds were actually appropriated for this concentration grant formula, first adopted in the Education Amendments of 1978 (P.L. 95-561), only for fiscal years 1980 and 1981. Earlier concentration grant authorizations had been enacted and sporadically funded, beginning in 1970. 3/

Throughout the life of the chapter 1 program--and that of its predecessor, title I of the Elementary and Secondary Education Act (ESEA)--some analysts have argued that such provision of equal grants per formula child is inappropriate, and constitutes an inefficient allocation of limited Federal funds. They have reached this conclusion on the basis of a combination of evidence and assumptions that the correlation or influence of poverty on educational

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2/ There is one additional source of variation in chapter 1 basic grants per formula child--the "hold harmless" provision, under which LEAs are to receive at least 85 percent of their grant for the previous year. However, except in periods of transition to use of population data from a new decennial Census, the "hold harmless" provision affects a very small proportion of LEAs, and has had little aggregate impact on chapter 1 allocations.

3/ In P.L. 91-230, there were authorized additional title I basic LEA grants to LEAs where the number of formula-eligible children constituted either 20 percent of the population aged 5-17 or at least 5,000 children (and 5 percent of the population aged 5-17). Under P.L. 93-380, this authorization was modified to use $3,000 as the low-income level, and to authorize grants to LEAs where the number of formula-eligible children constituted either 10,000 children (and 5 percent of all school-age children) or twice the average number of formula-eligible children for LEAs in the State. The current concentration grant program authorizes assistance to LEAs in counties where the number of formula-eligible children equals either 20 percent of the population aged 5-17 or 5,000 children.

disadvantage is significantly higher in areas with especially high numbers or percentages of children in poor families. They have also argued that LEAs with high concentrations of poor children are relatively unlikely to have available sufficient State and local revenue sources to provide the supplementary educational services needed by educationally disadvantaged children, and therefore are more in need of chapter 1 funds than are areas with smaller concentrations of children from poor families.

In response, those opposed to the chapter 1 concentration grant concept have argued that the provision of chapter 1 grants in proportion to the number of poor children in an LEA is sufficient to assure an equitable distribution of grants. They have also argued that past and current chapter 1 concentration grant formulas, while making both areas with high percentages and with high numbers of poor children eligible for grants, have in practice provided disproportionate shares of concentration grant funds to counties and LEAs in the largest urban areas with high numbers of poor children, even if the percentage of children in those areas who are in poor families, compared to the total school-age population, is not especially high--perhaps no higher than the national average.

During debate over reauthorization of chapter 1 in the 100th Congress, a great deal of attention has been paid to the chapter 1 concentration grant concept. One reason for this attention has been the availability of new research, conducted as part of the legislatively-mandated National Assessment of Chapter 1, indicating an increased association between poverty and educational disadvantage in areas with high concentrations of poor children. In addition, greater focusing of chapter 1 assistance on areas with greatest need

has been an expressed goal of both the Reagan administration and the Congress in the development of chapter 1 reauthorization legislation. 4/

Finally, since chapter 1 is the largest Department of Education (ED) program with an allocation formula, and one of the largest such programs anywhere in the Federal Government, 5/ and serves approximately 4.5 million children in LEA programs, chapter 1 allocation formula issues have always attracted a great deal of attention. With neither the Congress nor the Administration expressing much interest in considering major revisions to the chapter 1 basic grant formula, allocation formula concerns and proposals shifted primarily to the concentration grant program. The importance of the concentration grant formula has been enhanced by provisions in the Administration's reauthorization proposal and both House and Senate versions of H.R. 5 intended to require that a substantial share of chapter 1 appropriations be devoted to concentration grants.

4/ In addition to proposing that a share of chapter 1 funds be reserved for concentration grants, the Reagan Administration proposed the addition of an "absorption" provision to the chapter 1 basic grant formula in its draft Education Consolidation and Improvement Act reauthorization bill. Under that proposal, a number of basic grant formula children equal to 2 percent of the total population aged 5-17 years would be subtracted from each county and LEAs formula child count in making chapter 1 allocations. This would have had the effect of eliminating very few counties or LEAs from the program, yet making each area's basic grant per formula child a function of the area's formula child rate--i.e., the higher a county or LEAs formula child percentage (compared to total population aged 5-17 years), the higher the chapter 1 basic grant per formula child. This provision was not included in either the House or Senate version of H.R. 5. For additional information on this proposal, see U.S. Library of Congress. Congressional Research Service. Estimated Effects on Chapter 1, Education Consolidation and Improvement Act, Basic Grant Allocations of Applying a Two Percent "Absorption Factor," CRS Report for Congress 87-188 EPW, by Wayne Riddle. Washington, D.C., Mar. 6, 1987.

5/ According to a recent report by the General Accounting Office (Grant Formulas, A Catalog of Federal Aid to States and Localities, HRD-87-28, March 1987), the chapter 1 basic grant program is the 6th largest formula grant program of the Federal Government.

This report provides background information on the concept of chapter 1 concentration grants, on the legislative options and proposals adopted by the House and Senate for such grants, and an analysis of the different effects of the current law and the two H.R. 5 formulas.

I. ANALYSES OF THE RELATIONSHIP BETWEEN CONCENTRATION OF POVERTY AND EDUCATIONAL DISADVANTAGE 6/

A small number of studies of the correlation of poverty and educational disadvantage have focused on the specific effects of poverty concentration on pupil achievement. An assumption underlying such research is that the relationship between poverty and educational disadvantage might be significantly different in areas with relatively large numbers or proportions of children from poverty families than in other areas. The concentration grant program authorized under section 117 of title I, Elementary and Secondary Education Act, as incorporated into chapter 1, is implicitly based upon an assumption that the correlation is higher in high poverty areas, justifying additional aid to supplement regular chapter 1 basic grants. 7/ As noted above, the concentration grant program is not currently funded.

6/ For a more detailed analysis of this research and its possible implications, see U.S Library of Congress. Congressional Research Service. Changes in the Rate of Child Poverty: Possible Implications for Chapter 1, Education Consolidation and Improvement Act, by Wayne Riddle. Washington, D.C., July 10, 1986, 29 p.

7/ According to the House Committee on Education and Labor report accompanying the legislation that established the concentration grant program, "[A] number of studies indicate that concentrations of poverty have a negative effect on individual achievement and require more intensive remedial programs." (House report no. 95-1137, p. 19)

In a study published in 1979, 8/ Daniel U. Levine and others identified threshold levels of poverty-related factors above which the average pupil achievement level fell relatively rapidly. The population sample for this study consisted of total enrollment in seven large urban LEAs. The authors hypothesized the existence of an "institutional overload" effect of relatively large numbers or proportions of children from poverty families, causing schools to become significantly less effective as the concentration of such children rose above a specific threshold level.

A report more recently prepared by Daniel Myers 9/ for the U.S. Department of Education's National Assessment of Chapter 1 provides an analysis of the impact of poverty concentration on the poverty/educational disadvantage relationship. Using nationally representative samples of elementary school pupils from the Sustaining Effects Study, 10/ Myers statistically analyzed the net effect of poverty concentration on achievement after controlling for other pupil background characteristics, such as housing characteristics and the proportion of children in single-parent families.

The Myers study found that the average level of academic achievement falls for all pupils, not just those from poor families, as the percentage of pupils in an elementary school from poor families increases. At the elementary level, it was found that the proportion of non-poor pupils below the 25th per-

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8/ Concentrated Poverty and Reading Achievement in Seven Big Cities, The Urban Review, summer 1979, p. 63-80.

9/ The Relationship Between Poverty And Achievement, Appendix D-2 of Poverty, Achievement, And The Distribution Of Compensatory Education Services, the first interim report of the National Assessment of Chapter 1, U.S. Department of Education, Office of Educational Research and Improvement, 1986, 44p.

10/ The Sustaining Effects Study was conducted between 1976 and 1984 by the System Development Corporation under contract to the U.S. Department of Education. The Study analyzed the effects of compensatory education services on a large, nationally representative sample of elementary school pupils.

centile in achievement at high poverty schools (those with 25 percent or more poor pupils) was higher than the percentage of poor pupils scoring below the 25th percentile in low poverty schools (those with fewer than 7 percent poor pupils)--36.9 percent in the former schools versus 27.6 percent in the latter. 11/ The percentage of pupils, poor and non-poor, with achievement below the 25th percentile in low (below 7 percent), medium (7-24 percent), and high (over 24 percent) poverty schools were found to be as listed in the following table.

11/ The 7 and 24 percentile levels of pupils from poor families are based on a division of all elementary schools in the Sustaining Effects Study sample into quartiles. One quarter of schools was found to have fewer than 7 percent of pupils in poverty, one quarter above 24 percent, and the remaining one half of schools to be between 7 and 24 percent.

TABLE 1. Percentage of Pupils Who Are Educationally Disadvantaged (Defined as Achievement Below the 25th Percentile) In Elementary Schools with Different Poverty Rates

School poverty rate	Percentage of Pupils Who Are Educationally Disadvantaged (Below 25th Percentile)		
	Poor	Non-Poor	All
Under 7%	27.6%	11.0%	11.9%
7-24%	39.2	20.7	23.9
Above 24%	56.0	36.9	47.5
All Schools	46.7	18.7	25.0

Source: U.S. Department of Education, Office of Educational Research and Improvement, Poverty, Achievement, and the Distribution of Compensatory Education Services, 1986, p.21.

Thus, while 46.7 percent of all poor elementary school pupils were found to be educationally disadvantaged, this proportion was only 27.6 percent in low poverty schools, rising to 56.0 percent in high poverty schools. For non-poor pupils, the effect of an increasing school poverty rate was more dramatic, with the proportion of non-poor pupils who were educationally disadvantaged rising from 11.0 percent in low-poverty schools to 36.9 percent--more than three times as high--in high-poverty schools.

A statistically significant, though smaller, effect of poverty concentration on achievement was found to remain even after controlling for such pupil characteristics as race/ethnicity, gender, number of parents, family poverty, educational level of mother, number of siblings, maternal employment, and language minority status. This negative effect of poverty concentration on achievement applied to both reading and mathematics achievement to an

approximately similar extent at all elementary levels. The effect of poverty concentration was most significant for pupils beginning the first grade, and for the learning (i.e., growth in achievement) that took place in that year, with smaller effects in later elementary years.

A. Implications of Research

To the extent that the research prepared for the National Assessment of Chapter 1 is considered valid and relevant, then a change in the chapter 1 allocation formula to provide relatively higher grants to areas with substantial concentrations of poor children might lead to better targeting of limited funds on those children who are most educationally disadvantaged. However, there are several potential problems with such an approach. First, the underlying research is somewhat limited. While there have been numerous studies of the general relationship between poverty and educational disadvantage, very few of these have focused specifically on the relationship between poverty concentration and educational disadvantage. The most substantial and relevant recent research--that of Myers--was based upon school data collected in the mid-1970s for the Sustaining Effects Study.

Second, whatever the validity of the research and the feasibility of implementing its findings, the implications of such research are constrained by the fact that poverty data are used in chapter 1 not to select individual children to be served, but rather to select LEAs and school attendance zones to receive assistance, and to determine the amount of assistance these areas receive. Once funds are allocated to schools, participants are selected on the basis of educational disadvantage, not income. The appropriateness of this process is not dependent on an assumption that all poor and other children counted in the allocation formula are educationally disadvantaged; instead, it

is only necessary to assume that rankings of LEAs or school attendance zones on the basis of their number or percentage of poor children will approximate rankings on the basis of their number or percentage of educationally disadvantaged children. Simple poverty child counts --i.e., counts that do not take poverty concentration into account--are much more closely associated with educational disadvantage at such aggregate (school or LEA) levels than for individual pupils; 12/ and existing research has not addressed the question of whether, at this aggregate level, counts of children experiencing concentrated poverty could be used as a more accurate proxy for rankings based on educational disadvantage.

Finally, a substantial narrowing of LEA eligibility to receive chapter 1 grants might reduce the breadth of Congressional support for this program. Some might argue that the relatively broad Congressional support for continued existence and increased funding for chapter 1 have been dependent on eligibility for chapter 1 grants by virtually all LEAs, and distribution of grants among them generally in proportion to their numbers of poor children. To the extent that "better targeting" of chapter 1 funds results in a significant reduction in the current wide dispersion of grants, Congressional support for increased funding might decline. If this were to occur, even those areas on which funds were targeted might find themselves receiving lower net grants--i.e., a "larger slice of a smaller pie."

12/ For a discussion of this issue, see Changes in the Rate of Child Poverty: Possible Implications for Chapter 1, Education Consolidation and Improvement Act.

II. CURRENT LAW AND H.R. 5 CONCENTRATION GRANT FORMULAS

This section provides a description of the chapter 1 concentration grant allocation formula, both under current law and as it would be modified under the House and Senate versions of H.R. 5. Under both current law and H.R. 5, concentration grants are not a separate program at the local level; rather concentration grants are a separate allocation mechanism for distributing additional funds to local educational agencies (LEAs) in counties where the number or percentage of chapter 1 basic grant formula children exceeds specified threshold levels. At the LEA level, concentration grant funds would simply be added to, and used for the same purposes as, chapter 1 basic grants.

The current concentration grant program has been authorized since enactment of the Education Amendments of 1978 (P.L. 95-561). However, under current law, funds must be separately appropriated for concentration grants, and such appropriations have not been provided since fiscal year (FY) 1981. Both versions of H.R. 5 would provide that funding of concentration grants become "automatic", not dependent on the provision of specific appropriations. H.R. 5 would not only modify the concentration grant provisions, but would require that a substantial share of additional chapter 1 appropriations be reserved for concentration grants. Under the House version of H.R. 5, the first $400 million in chapter 1 LEA grant appropriations above the fiscal year (FY) 1987

level is reserved for concentration grants, 13/ in an attempt to ensure their funding. 14/ The Senate version of H.R. 5 would require that all appropriations for chapter 1 overall (except those for a newly-authorized program for dropout prevention and secondary school basic skills) between $4.3 and $4.7 billion, plus 10 percent of any increase over $4.7 billion, be reserved for concentration grants. 15/

Current Law Concentration Grant Formula

Under the current chapter 1 statute, counties are eligible for concentration grants if the number of children counted in the basic grant formula in the preceding program year either exceeds 5,000 such children or constitutes 20 percent or more of the total number of children aged 5-17 years. 16/ The formula for allocating concentration grant funds among eligible counties is based on the county share of the national total of children counted for concentration grants multiplied by a cost factor. The concentration grant formula child count is the greater of the number of basic grant formula children in

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13/ The FY 1987 appropriation for chapter 1 basic grants was $3,453,500,000, while the FY 1988 basic grant appropriation is $3,829,600,000. As noted earlier, no funds have been appropriated for chapter 1 concentration grants for either year.

14/ The Reagan Administration's chapter 1 reauthorization proposal, S. 594/H.R. 1949, would have required that 5 percent of all chapter 1 LEA grant funds be distributed as concentration grants.

15/ The FY 1988 appropriation for chapter 1 overall is $4,327,927,000.

16/ Under this formula, children counted for chapter 1 basic grant allocations are 5-17 year-olds: in poverty families, according to the 1980 Census; in families receiving payments under the program of Aid to Families with Dependent Children (AFDC) above the poverty level for a (non-farm) family of 4; plus neglected and delinquent children for whose education an LEA (as opposed to a State agency) has responsibility. Both versions of H.R. 5 would modify this population definition only by making a "technical" change, with little aggregate impact on allocations, in the poverty thresholds for children counted in the 1980 Census.

excess of the 5,000 child count or 20 percent thresholds. The concentration grant cost factor is similar to the one used for basic grant allocations. 17/

The current law concentration grant formula also has a State minimum provision. The total of concentration grants to counties in each State must be at least 0.25 percent of the national total of concentration grants. As a result, a number of small States would receive "additional" funds--i.e., grants above those which the State would receive if there were no State minimum provision. The chapter 1 statute does not provide explicit guidance regarding the distribution of such "additional" funds in these small States; and current regulations leave the distribution of such "additional" funds to State discretion. As is discussed further below, this source of uncertainty makes it impossible to estimate concentration grants to counties in States where grants are increased to the State minimum level.

Finally, once county concentration grants have been made, these funds are allocated to LEAs within those counties by the State education agency (SEA). All LEAs in each eligible county would receive a share of the county's concentration grant. County grants are allocated to LEAs in proportion to each LEA's number of chapter 1 formula children. However, if an LEA's chapter 1

17/ The concentration grant cost factor is the quotient of the county's current year maximum basic grant (or "entitlement") divided by the county's previous year basic grant formula child count (i.e., current year population times current year cost factor, divided by previous year population). In most cases, this will simply be similar, or identical, to the basic grant cost factor, since the maximum basic grant is equal to the basic grant formula child count multiplied by the basic grant cost factor. The concentration grant cost factor will differ significantly from the basic grant cost factor only if there is a significant difference between the current and previous years' basic grant formula child counts.

formula child percentage is less than 20 percent, then its child count receives less weight in this distribution process. 18/

Concentration Grants Under the House Version of H.R. 5

During the House's consideration of H.R. 5, three changes to the chapter 1 concentration grant provisions were adopted. The first House concentration grant amendment to H.R. 5 would modify the allocation of such funds among counties. The county eligibility thresholds would be changed to 6,500 formula children, or a 15 percent formula child percentage. Of equal significance, in distributing concentration grant funds among counties, all formula children--not just the number above the eligibility threshold--would be counted if the county meets the 15 percent criterion, but only the number of children above the 6,500 threshold if only that criterion is met.

The second concentration grant amendment adopted by the House affects the distribution of funds among LEAs within eligible counties. Funds would no longer be distributed to every LEA in the county; rather, only the LEAs that meet either the 6,500 or 15 percent threshold would be eligible to receive a share of the county's concentration grant. If no LEA in the county meets either of these criteria, 19/ then the concentration grants would be shared

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18/ In distributing county concentration grants among LEAs in the county, each chapter 1 basic grant formula child is weighted at 1.0 if the LEA's percentage of such children (compared to its total population aged 5-17 years) is 20 percent or higher. If the LEA percentage is less than 20 percent, then each formula child is weighted at less than 1.0, with the specific weight being equal to the LEA percentage divided by 20 percent. Thus, if an LEA has a chapter 1 formula child percentage of 10 percent, then the weight applied to formula children in that LEA when distributing concentration grants would be 10/20, or 0.5.

19/ For example, a county with 2 LEAs might have 10,000 formula children but not meet the 15 percent standard. If each of the county's LEAs contained one-half of the formula children (5,000 each) but had a formula child

by all LEAs in the county with a number or percentage of formula children above the county average.

The final House concentration grant amendment would authorize States to set aside up to 2 percent of total concentration grants to the State. These amounts could be distributed to LEAs that have relatively high numbers or proportions of chapter 1 basic grant formula children, but are located in counties that are not eligible for concentration grants. 20/

Concentration Grants Under the Senate Version of H.R. 5

The chapter 1 concentration grant formula adopted by the Senate in its version of H.R. 5 21/ is similar to that of current law in its partial retention of the 5,000/20 percent eligibility thresholds, but differs substantially from both current law and the House version of H.R. 5 in expanding the scope of State discretion in the allocation of concentration grants. The Senate bill also establishes a new concept of concentration of funds within, but not across, States--i.e., under the Senate version, one-half of the concentration grant appropriations would be distributed at the State level according to the chapter 1 basic grant formula. However all of these funds

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(continued) percentage below 15 percent, then no LEA would meet either of the usual eligibility criteria.

20/ For example, funds from the State set-aside might be distributed to an LEA with a chapter 1 formula children percentage above 15 percent that is in a county with a percentage below 15 percent--and which also has fewer than 6,500 such children. In such an instance, the county--and all of the LEAs within it--would not be eligible for concentration grants under the standard formula.

21/ During Senate Committee and floor consideration of this legislation, it was identified as S. 373. However, after completion of Senate floor consideration of S. 373, the Senate passed H.R. 5, substituting the provisions (continued) of S. 373 for those of the House-passed bill, and requesting that a conference committee be convened to resolve the differences between the two versions of the bill.

would be allocated according to a concentration formula to LEAs within the State.

Under the Senate version of H.R. 5, concentration grants would be allocated to States under two formulas, each applying to one-half of the funds:

> --one-half of the funds would be allocated to States according to amounts that counties in the States would be eligible to receive under the current law concentration grant formula (5,000/20 percent eligibility thresholds, only formula children in excess of the thresholds counted in allocating funds, etc.); and
>
> --one-half of the funds would be allocated to States under the chapter 1 basic grant formula, as modified by H.R. 5. 22/

The other significant change in provisions for allocation of concentration grants to States is the modification of the State minimum from 0.25 percent of total concentration grant appropriations, to the greater of this percentage or $250,000 for each of the two concentration grant formulas. 23/

22/ Under both the House and Senate versions of H.R. 5, certain changes would be made to the chapter 1 basic grant formula. These changes also have implications for concentration grants, since the basic grant formula child counts are used as the basis for concentration grant eligibility and fund allocation. Under current law, the basic grant formula children are those aged 5-17 years: (a) in poor families, according to the 1980 Census, but employing poverty criteria (standards for applying different poverty income thresholds to families of different size and type) used for the 1970 Census; (b) in families receiving Aid to Families with Dependent Children (AFDC) payments in excess of the poverty level for a (non-farm) family of 4; and (c) in foster homes or institutions for the neglected and delinquent, for whose education LEAs (as opposed to State agencies) are responsible. In addition, one-half of appropriations above the FY 1979 level are allocated at the State level (only) according to the number of children aged 5-17 years in families with income (continued) below 50 percent of the median for 4-person families, according to the 1976 Survey of Income and Education (SIE). Both versions of H.R. 5 modify this formula by removing the SIE portion of the allocation, and allowing use of 1980 Census poverty criteria. In addition, the Senate version provides for continued use of the AFDC child counts only through FY 1991, and requires the General Accounting Office to prepare a study of the formula factor in the meantime.

23/ The version of S. 373 that was reported by the Senate Committee on Labor and Human Resources would have provided for a State minimum of 0.5 percent of appropriations for each of the two concentration grant formulas. This provision was modified via an amendment sponsored by Senators Pell and Stafford that was adopted during Senate floor debate on S. 373/H.R. 5.

At the State level, the funds received under these two formulas would be combined, and jointly allocated to LEAs. Two sets of rules are provided for intra-State allocation of concentration grants; which rules apply to each State depends on the State's percentage share of total concentration grants:

> --If the State receives 1 percent or more of total concentration grants nationwide (combining the two concentration grant formulas described in the previous paragraph), then all concentration grants in that State are to be allocated to LEAs in counties that meet the 5,000/20 percent concentration grant thresholds of current law. 24/
>
> --If the State receives less than 1 percent of total concentration grants, then the State must first allocate grants to LEAs in counties that meet the 5,000/20 percent thresholds or LEAs that meet these thresholds, regardless of their county. If the State distributes concentration grants to all such LEAs in an amount equal to the chapter 1 basic grant to those LEAs, then the State may distribute any remaining concentration grants to other LEAs meeting only the requirement that they exceed the Statewide average poverty concentration.

As will be discussed further in the following section of this report, the degree of potential State discretion in States receiving less than 1 percent of concentration grants makes it impossible to estimate these grants at a county level in such States. This adds to the number of States for which county-level concentration grants cannot be estimated as a result of the State minimum grant provision (0.25 percent) under current law or the House version of H.R. 5. Thus, county allocations can be estimated, and formulas compared at a sub-State level, only for States receiving 1 percent or more of total grants under the Senate bill and more than 0.25 percent of grants under the House and

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24/ While there is some potential ambiguity in the Senate bill regarding the precise basis for distributing State concentration grant totals among LEAs in counties meeting the 5,000/20 percent thresholds, it is assumed for the following allocation estimates that these funds are allocated in proportion to the number of formula children above these thresholds in counties that qualify for grants.

current law formulas. 25/ Only State total grants can be compared for other States.

A brief summary of the major differences between these three concentration grant formulas is provided in the following table.

25/ According to current CRS estimates, 27 States meet these criteria.

TABLE 2. Comparison of Selected Provisions of the Chapter 1 Concentration Grant Formulas of Current Law and the House and Senate Versions of H.R. 5

Program provision	Current law	H.R. 5/House	H.R. 5/Senate
Formula child eligibility thresholds for grants among States	5,000/20%	6,500/15%	5,000/20% for one-half of funds, for the other half of funds, only the basic grant threshold--10 formula children--applies
Formula child eligibility thresholds for grants within States	same as above	same as above	5,000/20% in general, limited exceptions possible only in States receiving less than 1% of grants
Formula children counted in making grants among eligible counties	only those above the thresholds	all formula children if 15% threshold is met, only those above 6,500 otherwise	only those above the thresholds, except for allocation of basic grant half of funds to States a/
Reservation of funds for concentration grants	none	the first $400 million in LEA grant appropriations above the FY 1987 level	all appropriations for chapter 1 (except new part B) between $4.3 and $4.7 billion, plus 10% of amounts above $4.7 billion
State minimum grant	0.25%	0.25%	greater of 0.25% or $250,000 for each half of the State formula

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a/ See footnote 25.

III. COMPARATIVE ANALYSIS OF ALLOCATION PATTERNS

The following tables display estimated allocations under the current law and H.R. 5 concentration grant formulas--amounts for selected counties in certain categories, based on their number and percentage of chapter 1 basic grant formula children (table 1), and State totals (table 2). As noted in the previous section of this report, county grants can be estimated for approximately one-half of the States only. The table below, and the analysis following it, include only counties for which concentration grants can be estimated under all three formulas; any conclusions regarding allocation patterns may not apply to counties in other States. All estimates were calculated using a total concentration grant appropriation level of $400 million, and chapter 1 population and cost factor data for 1987-88, as these would be modified by the relevant versions of H.R. 5 (see footnote 23).

A. Selected County Estimates

Table 1, below, shows estimated chapter 1 concentration grants, under the current law versus H.R. 5 formulas for certain counties. The counties in the table are 5 selected counties in each of 8 categories based on the number and percentage of chapter 1 formula children. Please note that in both table 1 and table 2, the highest of the three estimated grants for each county or State is printed in **bold**.

TABLE 3. Estimated Chapter 1 Concentration Grants under Current Law and H.R. 5 Formulas for Selected Counties

Counties	Estimated grants at $400 million (in thousands)		
	Current law	H.R. 5/House	H.R. 5/Senate
Category A: greater than 5,000/ over 30% a/			
Orleans, La.	$3,421	$2,701	$3,754
Baltimore City, Md.	5,639	4,379	5,586
St. Louis City, Mo.	2,066	1,757	2,558
Bronx, N. Y.	13,100	9,581	11,131
Hidalgo, Tex.	3,000	2,426	2,901
Category B: greater than 5,000/ 20-30%			
Mobile, Ala.	1,215	1,140	1,446
Los Angeles, Cal.	28,683	20,427	23,799
Dade, Fla.	6,236	4,702	6,034
Suffolk, Mass.	3,101	2,595	2,766
Wayne, Mich.	11,475	8,435	11,491
Category C: greater than 5,000/ 10-20%			
Maricopa, Ariz.	2,835	1,894	2,705
San Diego, Cal.	4,629	3,581	3,841
Hartford, Conn.	1,727	1,079	1,605
Genesee, Mich.	1,116	662	1,118
Summit, Ohio	776	440	857

a/ The categories of counties in this table are identified by their number (greater than 5,000/less than 5,000) and percentage (compared to the total population aged 5-17 years) of chapter 1 basic grant formula children. The groups of counties within each of the two size categories are somewhat asymmetrical. This is due to both distributional (i.e., there are several small, but very few large, counties with a formula child rate above 40 percent), and analytical (i.e., certain large, but no small, counties with formula child rates below 10 percent could qualify for grants under these formulas) considerations.

TABLE 3. Estimated Chapter 1 Concentration Grants under Current Law and H.R. 5 Formulas for Selected Counties

Counties	Estimated Grants At $400 million (in thousands)		
	Current Law	H.R. 5/House	H.R. 5/Senate
Category D: greater than 5,000/ under 10%			
Orange, Cal.	3,145	2,102	2,609
Lake, Ill.	68	0	60
Prince Georges, Md.	727	380	720
Middlesex, Mass.	2,152	1,380	1,920
King, Wash.	1,525	951	2,053
Category E: less than 5,000/ over 40%			
Lowndes, Ala.	128	135	152
Hancock, Ga.	67	77	83
Breathitt, Ky.	83	106	108
East Carroll, La.	102	112	112
Claiborne, Miss.	52	66	59
Category F: less than 5,000/ 30-40%			
Hardee, Fla.	77	119	75
Decatur, Ga.	56	113	70
Pointe Coupee, La.	66	118	72
New Madrid, Mo.	75	121	93
Surry, Va.	15	29	31
Category G: less than 5,000/ 20-30%			
Lincoln, Miss.	46	115	52
Butler, Mo.	64	141	79
Vance, N.C.	59	139	101
Accomack, Va.	50	118	101
Clark, Wis.	28	141	43
Category H: less than 5,000/ 15-20%			
Limestone, Ala.	0	117	0
Jefferson, N.Y.	0	297	0
Buncombe, N. C.	0	273	0
Bedford, Pa.	0	163	0
Trempealeau, Wis.	0	72	0

Certain general patterns in the allocation of chapter 1 concentration grants at the county level under these three formulas may be briefly described. Most relatively large counties--with 5,000 or more chapter 1 formula children (categories A-D)--would receive substantially less under the H.R. 5/House than under either the current law or H.R. 5/Senate concentration grant formulas. At the extreme, counties with more than 5,000, but fewer than 6,500, formula children would receive no concentration grant at all under H.R. 5/House, compared to a modest grant under the current law or H.R. 5/Senate formulas (see Lake county, Ill.). For other large counties shown in table 1, the loss is typically in the range of 20-40 percent under the H.R. 5/House compared to the current law formula. Estimated grants under H.R. 5/Senate generally fall between those under H.R. 5/House and current law, although estimated grants to some large counties are higher under H.R. 5/Senate than either of the other two formulas (e.g., New Orleans, Louisiana; St. Louis City, Missouri; Mobile, Alabama; or King, Washington). Counties for which estimated grants under both H.R. 5/House and H.R. 5/Senate fall furthest below the current law estimates are among the Nation's most populous counties--for example, Bronx, New York, or Los Angeles, California.

In contrast, virtually all relatively small counties--those with 5,000 or fewer chapter 1 formula children (categories E-H)--would receive either the same or higher concentration grants under either version of H.R. 5 than under the current law formula. More specifically, smaller counties with a chapter 1 formula child proportion of 15 percent or more would receive higher concentration grants under the H.R. 5/House formula, while those with a proportion below 15 percent would receive no concentration grants under either formula. As with the larger counties, estimated grants under H.R. 5/Senate typically fall between those under current law and under H.R. 5/House; two exceptions to

this pattern are counties in category H (less than 5,000/15-20 percent), that would receive no grants under current law or H.R. 5/Senate, but might receive grants under H.R. 5/House, and category E (less than 5,000/over 40 percent), that would generally receive higher grants under H.R. 5/Senate than under either of the other two formulas.

Among counties in the same formula population size groups (i.e., under 5,000/above 5,000), if all other relevant factors were equal, the current law formula--and, to a generally lesser extent, the H.R. 5/Senate formula--would tend to provide more funds to counties with higher formula child percentages, compared to the H.R. 5/House formula. This is primarily because the current law and H.R. 5/Senate formulas have a higher formula child percentage threshold (20 percent versus 15 percent) and consider only formula children above the thresholds in allocating funds. (Keep in mind that the H.R. 5/Senate formula applies these thresholds only for interstate allocation of one-half of the funds.) However, all other relevant factors are not equal in comparing these formulas; in practice, size-related effects--i.e., numbers of formula children--are greater than effects related to formula child percentage in determining the differences in county-level allocation patterns between these formulas.

The primary reason for this contrast between relatively large and small counties is that the current law and--to a more limited extent--the H.R. 5/Senate formulas tend to allocate more funds to larger areas in two ways. First, the thresholds of 20 percent (rather than H.R. 5/House's 15 percent) and 5,000 children (6,500 under H.R. 5/House) make it easier for relatively large counties to qualify for current law or H.R. 5/Senate concentration grants on the basis of their number of formula children, and harder for smaller counties to qualify on the basis of their formula child proportion. From another

perspective, when the 5,000 child threshold is expressed in percentage terms, it can represent a very small percentage of the school-age population in the largest counties. For example, for Los Angeles county (Cal.), 5,000 children represent approximately 0.4 percent of its total population aged 5-17 years, according to the 1980 Census. For Cook county (Ill.), 5,000 children represent approximately 0.5 percent of its total population aged 5-17 years. Therefore, the application of a 5,000 formula eligible child threshold to such counties is equivalent to application of a percentage threshold of less than 1 percent, compared to a 20 percent threshold for counties with fewer than 5,000 formula eligible children.

Second, the requirement that current law or H.R. 5/Senate concentration grants be allocated on the basis of the number of formula children above the threshold tends to distribute large proportions of the funds to the counties with the largest numbers of formula children, whatever their formula child proportion. This is because it is easier for a large than for a small county to have a high percentage of its total chapter 1 basic grant formula children counted in the allocation of concentration grants under the current law or H.R. 5/Senate formula. As noted above, the 5,000 child threshold represents only a small percentage of the school-age population in the largest counties. Thus, comparing the extreme cases of a very large county versus a smaller county that qualifies only under the 20 percent threshold, the former counts all formula eligible children in excess of a very small percentage of its total school-age population, while the latter can count only those in excess of 20 percent of its school-age population. From another perspective, a large county may have several multiples of 5,000 formula eligible children--for 1986-87, Los Angeles had almost 284,000 such children, a multiple of 57 times 5,000--while no county

could have more than 5 times the 20 percent threshold, even if all of its children were formula eligibles.

In contrast, the H.R. 5/House formula counts all formula children in counties that have a chapter 1 formula child proportion of 15 percent or more, but only those above 6,500 when only that threshold is met. This shifts the balance of grant eligibility substantially from larger to smaller counties. While most larger counties would lose as much as 40 percent under H.R. 5/House compared to the current law concentration grant formula, the estimated grants to many smaller counties would increase by 100 percent or more. As noted earlier, estimated grants under H.R. 5/Senate generally fall between the H.R. 5/House and current law estimates.

While the current law chapter 1 concentration grant formula has been criticized by some as allocating the greatest share of funds to the largest urban areas, for reasons described above, the H.R. 5/House formula might be criticized as not substantially targeting funds on the areas with the highest numbers or proportions of chapter 1 formula children. By counting only formula children above the (5,000/ 20 percent) thresholds, the current law formula provides proportionally greater grants to counties with the highest numbers or percentages of formula children. In contrast, the H.R. 5/House formula would provide grants of proportionally equal size to all counties that meet the 15 percent threshold, since all formula children would be counted in distributing grants among such counties. 29/ Estimated grants under H.R. 5/Senate are typically closer to those under current law than under H.R. 5/House, but the H.R. 5/Senate formula has its own constraint to targeting in the one-half of funds allocated to States using the basic grant formula--i.e., with no

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29/ Grants would still increase disproportionally as a county's number of formula children increased for counties that meet only the 6,500 child criterion.

consideration of poverty concentration at the State level in the allocation of one-half of the concentration grants. Nevertheless, the H.R. 5/Senate requirement for use of the current law eligibility thresholds for within-State allocation of all concentration grants, if the State receives at least 1 percent of the national total of allocations, results in county-level allocation patterns substantially similar to those of the current law formula. Differences between the current law and H.R. 5/Senate formulas are more striking at the State level; these will be discussed in the following section of this report.

An example might help to illustrate the discussion in the previous paragraph. Assume that there are two counties, each with 4,000 chapter 1 basic grant formula children, but county A has a formula child percentage of 30 percent while county B has a percentage of 40 percent. If all other relevant factors were held constant, under current law or H.R. 5/Senate the concentration grant to county B would be 50 percent more than that for county A, but the two counties would receive identical grants under H.R. 5/House Thus, the current law or H.R. 5/Senate formulas would provide a disproportionally (compared to the equal number of formula children in both counties) higher grant to the county with the higher percentage of children from poor families, while H.R. 5/House would provide grants in equal proportion to all counties that meet the minimum percentage of 15 percent.

In summary, at the county level, the following allocation patterns generally occur:

--the counties with the largest numbers of formula children, whatever their formula child percentage, would receive higher grants under current law or H.R. 5/Senate than under H.R. 5/House;

--the counties with relatively low numbers of formula children, whatever their formula child percentage, would receive more under either version of H.R. 5 than under current law;

--among counties with similar numbers of formula children, the current law and H.R. 5/Senate formulas allocate more funds to counties with higher percentages of formula children; and

--for all counties with relatively low numbers of formula children, grants are higher under H.R. 5/House than under current law or H.R. 5/Senate, with the exception of such counties with very high percentages (over 40 percent) of formula children, for which the H.R. 5/Senate formula would provide the largest grants.

B. State Total Estimates

A comparison of estimated concentration grants under both versions of H.R. 5 and current law at the State level is shown in table 2, below. While these State totals are of significance, it is important to note that this is a county-based allocation formula and, within each State, there are likely to be counties that do not reflect the overall State pattern of gains or losses when comparing these two formulas. As with table 1, the highest of the three estimated grants is printed in bold (except where estimated grants under all three formulas would be equal).

TABLE 4. Estimated State Total Chapter 1 Concentration Grants Under Current Law and H.R. 5 Formulas

State	Estimated grants at $400 million (in thousands)		
	Current law	H.R. 5/House	H.R. 5/Senate
Alabama	$6,153	$11,446	$7,320
Alaska	1,000	1,000	1,000
Arizona	4,469	4,645	4,264
Arkansas	2,569	6,034	3,656
California	58,387	47,065	48,444
Colorado	1,672	2,676	2,723
Connecticut	5,075	3,164	4,715
Delaware	1,000	1,043	1,089
District of Columbia	2,938	2,491	2,383
Florida	17,622	19,668	17,053
Georgia	7,237	12,344	8,975
Hawaii	1,376	1,000	1,309
Idaho	1,000	1,000	1,104
Illinois	23,656	18,226	21,138
Indiana	3,005	2,236	4,646
Iowa	1,000	1,103	2,305
Kansas	1,000	1,288	1,885
Kentucky	4,439	8,580	5,785
Louisiana	8,413	12,171	9,232
Maine	1,000	1,192	1,363
Maryland	6,920	5,358	6,856
Massachusetts	11,571	8,190	10,324
Michigan	15,747	13,434	15,770
Minnesota	1,636	2,902	3,301
Mississippi	6,077	10,003	6,872
Missouri	4,355	5,887	5,391
Montana	1,000	1,000	1,148
Nebraska	1,000	1,274	1,544
Nevada	1,000	1,000	1,000
New Hampshire	1,000	1,000	1,000
New Jersey	15,515	12,755	14,381
New Mexico	2,077	4,295	2,617
New York	60,833	46,054	51,689
North Carolina	3,883	8,968	6,669
North Dakota	1,000	1,000	1,000
Ohio	11,908	9,738	13,160
Oklahoma	1,901	3,671	2,986
Oregon	1,000	1,000	2,218
Pennsylvania	18,193	13,931	19,268
Puerto Rico	26,182	18,485	19,870
Rhode Island	1,479	1,463	1,506
South Carolina	3,491	7,009	4,834
South Dakota	1,000	1,205	1,131

TABLE 4: Estimated State Total Chapter 1 Concentration Grants Under Current Law and H.R. 5 Formulas (continued)

State	Estimated grants at $400 million (in thousands)		
	Current law	H.R. 5/House	H.R. 5/Senate
Tennessee	6,283	10,555	7,310
Texas	29,334	31,177	28,367
Utah	1,000	1,000	1,223
Vermont	1,000	1,000	1,000
Virginia	2,531	7,092	5,114
Washington	3,097	2,903	4,169
West Virginia	1,000	3,954	2,362
Wisconsin	2,974	3,324	4,529
Wyoming	1,000	1,000	1,000
Total	$400,000	$400,000	$400,000

At the State level, the patterns of differences in estimated grants under these three concentration grant formulas is generally consistent with the county patterns described above. One major additional factor in consideration of the State-level allocation patterns is the impact of the H.R. 5/Senate provision to allocate one-half of concentration grants under the basic grant formula at the State level.

States with large proportions of their counties qualifying for concentration grants under either formula, but without one or more of the Nation's largest urban counties, would receive substantially higher grants under the H.R. 5/House than under the current law or H.R. 5/Senate formulas. This applies especially to such Southern States as Alabama, Arkansas, Georgia, Kentucky, Mississippi, North and South Carolina, or Tennessee. Other States that would receive much higher grants under H.R. 5/House than under the current law or H.R. 5/Senate concentration grant formulas include New Mexico, Oklahoma, Virginia, and West Virginia.

The States that would receive lower grants under H.R. 5/House than under the current law or H.R. 5/Senate concentration grant formulas include most of those with one or more of the largest urban counties--e.g., California, Illinois, Maryland, Michigan, Massachusetts, New Jersey, New York, Pennsylvania, or Puerto Rico (which is treated as a single county in the chapter 1 allocation process). In contrast, there are a number of States that would receive substantially more under H.R. 5/Senate than under either the current law or H.R. 5/House formulas. These are States with relatively few counties that have large numbers or percentages of chapter 1 formula children, and that would receive much higher grants under the chapter 1 basic grant formula than under virtually any concentration grant formula, and therefore particularly benefit from the H.R. 5/Senate provision to distribute one-half of concentration grants to States under the basic grant formula. Such States include: Indiana, Iowa, Kansas, Nebraska, Oregon, Utah, Washington, and Wisconsin.

Finally, several States would receive the minimum grant under either of these three formulas, so would receive the same amount under either version of H.R. 5 or current law. These States are Alaska, Nevada, New Hampshire, North Dakota, Vermont, and Wyoming. However, 11 States would receive the minimum under the current law formula but are estimated to receive more under one or both of the versions of H.R. 5; these are Delaware, Idaho, Iowa, Kansas, Maine, Montana, Nebraska, Oregon, South Dakota, Utah, and--especially--West Virginia, where the estimated grant would rise from a minimum of $1 million under current law to $3,954,000 under H.R. 5/House or $2,362,000 under H.R. 5/Senate. Thus, there would be fewer States at the minimum under either version of H.R. 5 than under current law.

In summary, at the State level, the following allocation patterns generally occur:

--States with high average county poverty percentages, but without one of the Nation's largest urban areas, would receive more under H.R. 5/House than under H.R. 5/Senate or current law;

--States with one or more of the Nation's largest urban areas would receive less under H.R. 5/House than under H.R. 5/Senate or--especially--current law;

--States with relatively low average county poverty percentages, and without one of the Nation's largest urban areas, would receive more under H.R. 5/Senate than under H.R. 5/House or current law; and

--both H.R. 5 formulas would distribute concentration grants more widely among the States than would the current law formula, resulting in fewer States receiving the minimum grant amount.